

HOUSE BILL 1076

47TH LEGISLATURE - STATE OF NEW MEXICO - FIRST SESSION, 2005

INTRODUCED BY

Rick Miera

AN ACT

RELATING TO PUBLIC SCHOOL FINANCE; ALLOWING SCHOOL DISTRICTS TO REQUEST PROPOSALS IN COMPLIANCE WITH THE PROCUREMENT CODE FOR DEPOSITORY BANKS AND SAVINGS AND LOAN ASSOCIATIONS.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF NEW MEXICO:

Section 1. Section 22-8-40 NMSA 1978 (being Laws 1977, Chapter 136, Section 2, as amended) is amended to read:

"22-8-40. DEPOSIT OF PUBLIC SCHOOL FUNDS--DISTRIBUTION-- INTEREST.--

A. All public money in the custody of local school boards ~~[which]~~ that have been designated as boards of finance shall be deposited in qualified depositories in accordance with the terms of this section.

B. Deposits of funds of the ~~[local]~~ school district may be made in noninterest-bearing checking accounts in one or

.155150.1

underscoring material = new  
[bracketed material] = delete

underscored material = new  
[bracketed material] = delete

1 more banks, savings and loan associations or credit unions, as  
2 long as the credit union deposits are insured by an agency of  
3 the United States, located within the geographical limits of  
4 the school district.

5 C. Deposits of funds of the [~~local~~] school district  
6 may be made in interest-bearing checking accounts, commonly  
7 known as "NOW" accounts, in one or more banks, savings and loan  
8 associations or credit unions, as long as the credit union  
9 deposits are insured by an agency of the United States, located  
10 within the geographical limits of the school district.

11 D. Except as provided in Subsection G of this  
12 section, public money placed in interest-bearing deposits, in  
13 banks and savings and loan associations, other than interest-  
14 bearing checking accounts as defined in Subsection C of this  
15 section, shall be equitably distributed among all banks and  
16 savings and loan associations having their main or manned  
17 branch offices within the geographical boundaries of the  
18 [~~local~~] school district [~~which~~] that have qualified as public  
19 depositories by reason of insurance of the account by an agency  
20 of the United States or by depositing collateral security or by  
21 giving bond as provided by law in the proportion that each such  
22 bank's or savings and loan association's net worth bears to the  
23 total net worth of all banks and savings and loan associations  
24 having their main office or a manned branch office within the  
25 geographical boundaries of the school district. The net worth

.155150.1

underscoring material = new  
[bracketed material] = delete

1 of the main office of a savings and loan association and its  
2 manned branch offices within the geographical boundaries of a  
3 school district is the total net worth of the association  
4 multiplied by the percentage that deposits of the main office  
5 and the manned branch offices located within the geographical  
6 boundaries of the school district are of the total deposits of  
7 the association. The net worth of each manned branch office or  
8 aggregate of manned branch offices of a savings and loan  
9 association located outside the geographical boundaries of the  
10 school district in which the main office is located is the  
11 total net worth of the association multiplied by the percentage  
12 that deposits of the branch or aggregate of branches located  
13 outside the geographical boundaries of the school district in  
14 which the main office is located are of the total deposits of  
15 the association. The director of the financial institutions  
16 division of the regulation and licensing department shall  
17 promulgate a formula for determining the net worth of banks'  
18 main offices and branches for the purposes of distribution of  
19 public money as provided for by this section. "Net worth"  
20 means assets less liabilities as reported by such banks and  
21 savings and loan associations on their most recent semiannual  
22 reports to the state or federal supervisory authority having  
23 jurisdiction.

24 E. Notwithstanding the provisions of Subsection D  
25 of this section, public money may be placed in interest-bearing

.155150.1

underscored material = new  
[bracketed material] = delete

1 deposits, other than interest-bearing checking accounts as  
2 defined in Subsection C of this section, at the discretion of  
3 the board of finance, in credit unions having their main or  
4 manned branch offices within the geographical boundaries of the  
5 [~~local~~] school district to the extent such deposits are insured  
6 by an agency of the United States.

7 F. The rate of interest for all public money  
8 deposited in interest-bearing accounts in banks, savings and  
9 loan associations and credit unions shall be set by the state  
10 board of finance, but in no case shall the rate of interest be  
11 less than one hundred percent of the asked price on United  
12 States treasury bills of the same maturity on the date of  
13 deposit. Any bank or savings and loan association that fails  
14 to pay the minimum rate of interest at the time of deposit  
15 provided for [~~herein~~] in this subsection for any respective  
16 deposit forfeits its right to an equitable share of that  
17 deposit under this section. If the deposit is part or all of  
18 the proceeds of a bond issue and the interest rate prescribed  
19 in this subsection materially exceeds the rate of interest of  
20 the bonds, the interest rate prescribed by this subsection  
21 shall be reduced on the deposit to an amount not materially  
22 exceeding the interest rate of the bonds if the bond issue  
23 would lose its tax exempt status under Section 103 of the  
24 United States Internal Revenue Code of 1954, as amended.

25 G. A school district that has, in the aggregate,

.155150.1

underscored material = new  
[bracketed material] = delete

1 ten or more banks or savings and loan associations located in  
2 the school district may issue a request for proposals in  
3 accordance with the provisions of the Procurement Code and  
4 shall select at least two qualified public depositories within  
5 the school district for the placement of public money into  
6 interest-bearing deposits as provided in Subsection D of this  
7 section. The request for proposals shall specify how deposits  
8 shall be divided among the depositories selected.

9           ~~[G.]~~ H. Public money in excess of that for which  
10 banks and savings and loan associations within the geographical  
11 boundaries of the ~~[local]~~ school district have qualified may be  
12 deposited in qualified depositories, including credit unions,  
13 in other areas within the state under the same requirements for  
14 payment of interest as if the money were deposited within the  
15 geographical boundaries of the ~~[local]~~ school district.

16           ~~[H.]~~ I. The board of finance of the school district  
17 may temporarily invest money held in demand deposits and not  
18 immediately needed for the operation of the school district.  
19 Such temporary investments shall be made only in securities  
20 ~~[which]~~ that are issued by the state or by the United States  
21 government, or by their departments or agencies, and ~~[which]~~  
22 that are either direct obligations of the state or the United  
23 States or are backed by the full faith and credit of those  
24 governments.

25           ~~[I.]~~ J. The public education department ~~[of finance~~

.155150.1

underscored material = new  
[~~bracketed material~~] = delete

1 ~~and administration~~] may monitor the deposits of public money by  
2 [~~local~~] school boards to assure full compliance with the  
3 provisions of this section."

4 - 6 -